

Message Text

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ORIGIN PM-07

INFO OCT-01 EA-11 ISO-00 CIAE-00 DODE-00 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 IGA-02 EB-11 MC-02 ACDA-19 OMB-01

TRSE-00 COME-00 /141 R

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

INFO CINCPAC HONOLULU HI

C O N F I D E N T I A L STATE 086863

E.O. 11652: GDS

TAGS: MASS, RP US

SUBJECT: M-16 CO-PRODUCTION AGREEMENT

REF: A. STATE 72725; B. MANILA 4381; C. STATE 81620;
D. MANILA 4840

1. DEPARTMENT HAS GIVEN CAREFUL CONSIDERATION TO ADDITIONAL
POINTS RAISED IN MANILA REFTEL D.

2. WITH REGARD TO DRAFT MOU PARAGRAPH 6(2)(F), DEPART-
MENT HAS CONCLUDED THAT PARAGRAPH SHOULD BE RETAINED AS
WORDED. PURPOSE IS TO INSURE THAT GOP WILL NOT ALLOW PRO-
JECT TO LAPSE AS RESULT OF NON-AVAILABILITY OR ONLY PARTIAL
AVAILABILITY OF SECOND-YEAR FMS FINANCING. SUCH EVENTUALITY
WOULD ELIMINATE RATIONALE FOR RATHER SIZEABLE FIRST-YEAR
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USG CREDIT AND IN TURN WOULD JUSTIFY ADVERSE CONGRESSIONAL

REACTION. FROM PREVIOUS POST REPORTING, DEPARTMENT UNDERSTANDS GOP REGARDS PROJECT AS HIGH-PRIORITY; ON THIS ASSUMPTION, IT IS DIFFICULT TO PERCEIVE HOW PARA 6(2)(F) COULD INTERJECT NEGOTIATING DIFFICULTIES.

3. REASONS FOR INCLUDING MOU PARAGRAPH 9 WERE PROVIDED IN REF C PARA 12. DESPITE MORE LIBERAL WORDING OF COLT-GOP CONTRACT, DEPARTMENT REMAINS CONCERNED ABOUT POSSIBLE EFFECTS OF INNOVATIONS ON INTERCHANGEABILITY. THIS PROBLEM MERITS SPECIAL ATTENTION DUE TO FACT THAT PRODUCTION WILL PROCEED ON SLIDING SCALE FROM 100 PERCENT US-MADE TO 100 PERCENT FILIPINO-MADE COMPONENTS. IN ANY EVENT, WORKING OF PARA 9 DOES NOT PRECLUDE INTRODUCTION OF COLT-APPROVED INNOVATIONS, PROVIDING OPERATIONAL AND LOGISTIC INTERCHANGEABILITY NOT AFFECTED.

4. SINGAPORE M-16 PRODUCTION BASED ON 1966 AGREEMENT BETWEEN COLT INDUSTRIES AND GOVERNMENT OF SINGAPORE AND REQUIRED DEPARTMENT (MC) APPROVAL ONLY FOR LICENSING PURPOSES. NO RPT NO FMS CREDIT FUNDS WERE INVOLVED. THEREFORE THIS IS NOT DIRECTLY COMPARABLE WITH PROPOSED PHILIPPINES AGREEMENT. ON OTHER HAND, KOREAN AGREEMENT CLEARLY GOVERNMENT-TO-GOVERNMENT AS SPELLED OUT IN MOU DATED MARCH AND APRIL 1971. TERM "RIFLE PRODUCTION PROGRAM" IS USED IN TITLE AND TEXT; HOWEVER, IT IS CO-PRODUCTION AGREEMENT BY CURRENT DEFINITION. LATTER TERM SHOULD NOT BE CAUSE FOR CONCERN ON PART OF GOP. DEPARTMENT WISHES TO UNDERSCORE GOVERNMENT-TO-GOVERNMENT NATURE OF AGREEMENT FOR REASONS NOTED IN REF C PARA 2. RUSH

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